

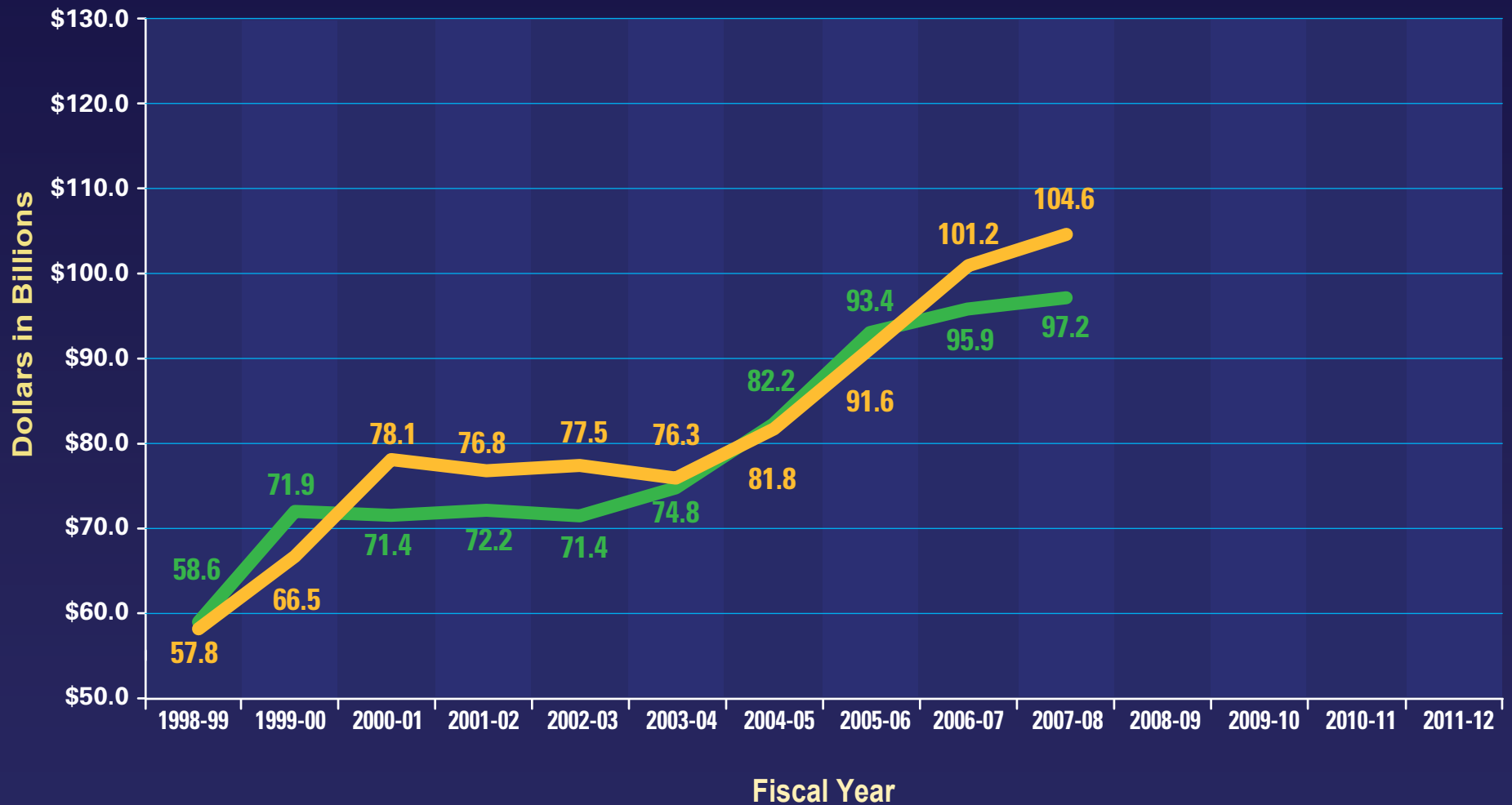


2008-09 MAY REVISION

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE OF CALIFORNIA



PROBLEM: California's Budget Since 1998-99



Note: Excludes ERB Proceeds.

Revenues Expenditures

MAY REVISION ■ 2008-09

SOLUTION: If Budget Reform had been in effect in 1998, California would not have had massive budget deficits



Note: Excludes ERB Proceeds.

Revenues Expenditures

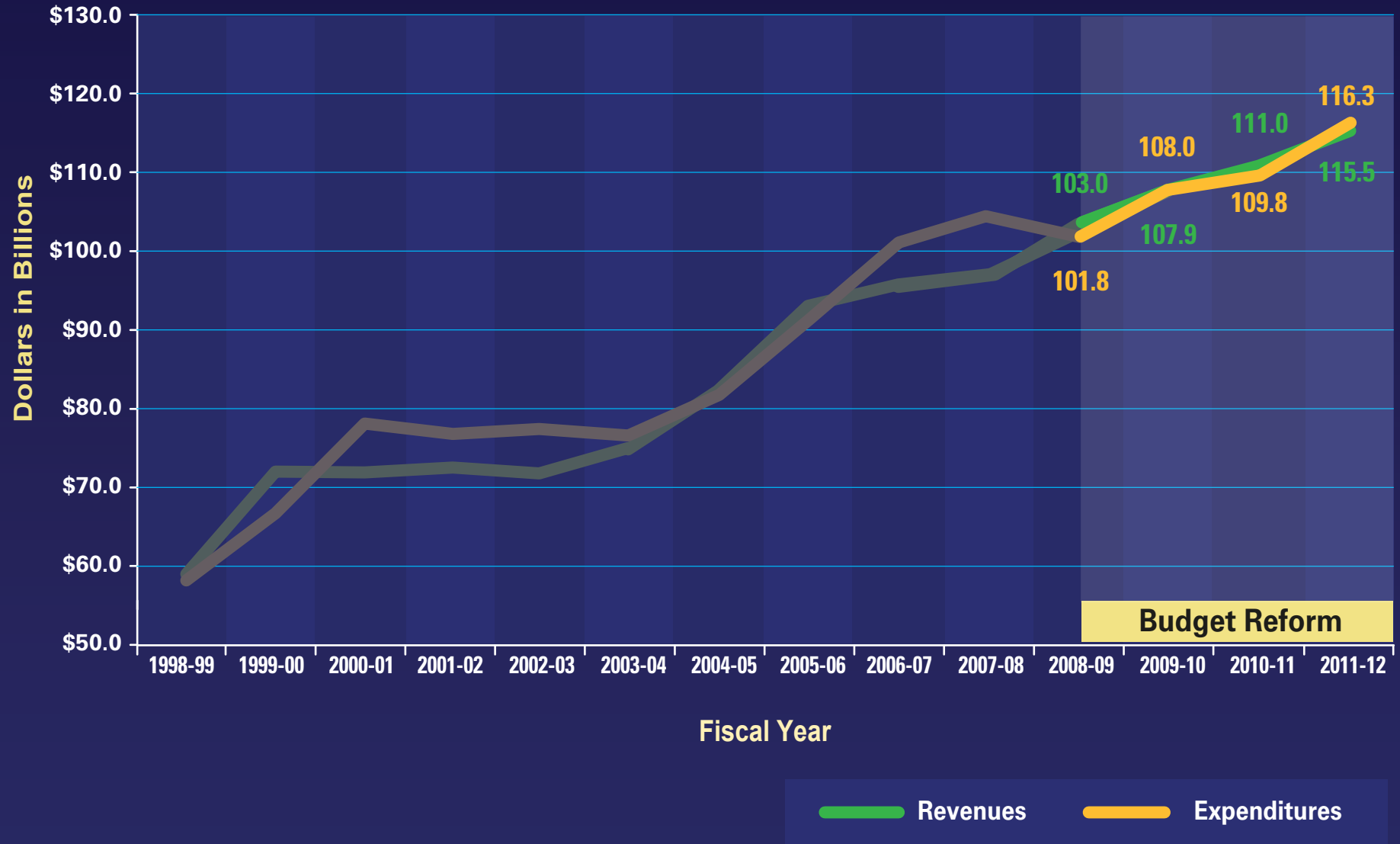
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PROBLEM: California faces deficits for years to come unless we act now



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SOLUTION: Budget Reform eliminates projected deficits in the future



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Michael C. Genest, Director
DEPARTMENT OF FINANCE

What Has Happened to the Deficit Since January 10 Budget?

Deficit at Governor's Budget	-\$14,479
Reserve	-2,009
Workload Adjustments:	-7,594
Loss in Revenues	-5,997
Increases in Prop 98 Expenditures	-1,491
Increases in Non 98 Expenditures	-175
Miscellaneous	69
Adjustments due to Policy Decisions	-195
Total Size of Problem	-\$24,277
Special Session Solutions	7,043
Problem Remaining at May Revision	-\$17,234

Major Revenue Solutions

(Dollars in Millions)

January Proposals	\$5,499
New Proposals:	
Transfer from Revenue Stabilization Fund	\$5,122
Loans from Special Funds	574
Limited Liability Corporations prepay fee by June 15	360
Transfers from Special Funds	75
Miscellaneous	59
Total Revenue Solutions	\$11,689

Major Expenditure Solutions

(Dollars in Millions)

January Proposals	\$10,451
New Proposals:	
Use of Public Transportation Account for Home-to-School Transportation	589
CCPOA Last, Best, and Final Offer	421
Use of Public Transportation Account for Past Debt Service Payments from TDSF	235
IHSS: Reduce State Participation to State Minimum Wage	187
SSI/SSP: No pass through of the Federal SSI COLA	109
Eliminate Cash Assistance Program for Immigrants	111
Health Care Services—Reduce Services for New Qualified Immigrants to Limited-Scope Medi-Cal	87
Delete Third Year Payment of 15-Year Plan for Old N98 Mandates	75
STRS Contribution—CRTA Proposal	66
IHSS: Establish Baseline for Domestic and Related Services (Functional Index)	52
Miscellaneous	205
Total Expenditure Solutions	\$12,588

General Fund Reductions by Agency

(Dollars in Millions)

	2008-09 Before Reductions	2008-09 Reductions	2008-09 May Revision Funding Level
Legislative, Judicial, Executive	\$4,209	\$417	\$3,792
State and Consumer Services	604	38	566
Business, Transportation & Housing	1,637	2	1,635
Resources	1,730	106	1,624
Environmental Protection	96	8	88
Health and Human Services	32,735	2,935	29,800
Corrections and Rehabilitation	10,303	164	10,139
K-12 Education	45,112	3,967	41,145
Higher Education	12,757	999	11,758
Labor and Workforce Development	98	1	97
General Government	3,937	2,745	1,192
Total	\$113,218	\$11,382	\$101,836
2007-08 Reductions		\$1,206	
Two-Year Reductions		\$12,588	